

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

APPLICATION OF UNITED CITIES GAS
COMPANY, A DIVISION OF ATMOS ENERGY,
INC., NASHVILLE GAS COMPANY, A
DIVISION OF PIEDMONT NATURAL GAS
COMPANY, INC. AND THE CHATTANOOGA
GAS COMPANY FOR APPROVAL OF
DEFERRED ACCOUNTING

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JOINT APPLICATION FOR APPROVAL OF DEFERRED ACCOUNTING

United Cities Gas Company ("UCG"), Division of Atmos Energy, Inc., Nashville Gas Company ("Nashville Gas"), Division of Piedmont Natural Gas Company, Inc. and Chattanooga Gas Company ("Chattanooga Gas") respectfully request that the Tennessee Regulatory Authority ("TRA") or ("Authority") approve the deferral of certain costs related to uncollectible accounts, and, in support thereof, respectfully show the following:

1. It is requested that any notices or other communications with respect to this application be sent to the following individuals on behalf of the respective Applicants:

A. For UCG:

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B. For Nashville Gas:

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C. For Chattanooga Gas:

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Each of the Applicants is properly authorized and engaged in the business of furnishing natural gas to customers located in various communities in Tennessee. As public utilities operating natural gas distribution businesses in the State, the Applicants are subject to the regulation and supervision of the Authority pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.

2. Due to the dramatic increase in the wholesale cost of gas during the 2000-2001 winter heating season, coupled with the colder-than-normal weather conditions during the months of November and December of 2000, customers of each of the applicants experienced gas bills significantly higher than those for the same period for the previous winter. In fact, the wholesale gas costs were significantly higher than experienced in the previous ten winter heating seasons. The Applicants took measures throughout the previous winter heating season and thereafter to mitigate the effects of the high wholesale prices by providing customers with deferred payment plans that allowed payments to be spread over a number of months rather than paid in full at the time of billing. Under the various plans offered by the Applicants, service was not terminated to the individual customers as long as payment terms agreed to by the customers were being honored. In addition, each of the Applicants has a budget-billing program that is designed to allow customers to spread their bill payments over a one-year period. These programs were especially helpful to customers on fixed incomes and to other customers who had difficulty paying their gas bills.

3. Despite the efforts of the Applicants to work with their customers in dealing with the significantly higher wholesale gas costs, each of the companies experienced an unprecedented increase in the level of its bad-debt expenses in Tennessee. Consequently, the actual net write-offs by the Applicants are anticipated to be approximately \$2,700,000 for UCG and \$1,535,000 for Nashville Gas through the end of their respective fiscal years. Chattanooga Gas' anticipated write-off will be submitted in a subsequent filing. The Applicants view the magnitude of the write-off of these bad debts as extraordinary.

4. Each of the Applicants' respective tariffs allows a certain amount to be recovered in the cost of service for uncollectible account expenses. Specifically as of the last rate case for each Applicant, UCG is permitted to recover \$130,117, and Nashville Gas is permitted to recover \$410,837 in the cost of service. Clearly, the magnitude of the uncollectible accounts experienced by the Applicants during the 2000-2001 winter heating season and thereafter is far in excess of the amounts currently allowed for uncollectible account expenses in the respective tariffs.

5. Unless the Authority grants appropriate relief, the applicants will be required to absorb substantial costs that will not be recovered in the currently allowed rates. These excessive expenses are obviously outside the norm and were not caused by the actions and/or inactions of the Applicants. The Applicants contend that it would be unfair to require them to absorb these costs when the excessive expenses arose in large part due to the Applicants' attempts to mitigate the impact on their customers by working out payment plans which were not honored by the customers. Furthermore, each of the Applicants can demonstrate that significant efforts were made to collect the delinquent accounts during the current year, and each of the Applicants will continue to diligently attempt to collect all delinquent accounts and to record all

amounts collected in the regulatory asset account, the approval of which is sought in this Application.

6. For the reasons set forth above, each of the Applicants respectfully requests the Authority to permit it to defer the difference between the net amount of uncollectibles actually written off and the amount allowed in its current rates and to establish a regulatory asset for such difference effective on the first day of each Applicant's current fiscal year. This regulatory asset account will to be used as a "tracking" mechanism to account for differences between actual net write-offs and the uncollectible expense included in each Applicant's current rates. The balance in the regulatory account would either be recovered or refunded to customers in future rates over the period of time determined by the Authority to the extent it is approved by the Authority in the Applicants' next general rate cases. Since only the "net amount" would be recorded in the regulatory asset accounts, all amounts received from customers in payment of amounts written-off as uncollectible would be credited to the regulatory asset accounts.

The fiscal years for UCG and Chattanooga Gas end on September 30, 2001 and the fiscal year for Nashville Gas ends on October 31, 2001. Unless the TRA approves the requested deferral accounting treatment, the Applicants' reported earnings and their ability to raise capital may be adversely affected.

7. As part of the plan to collect these deferred expenses, the Applicants will work with their customers who were disconnected due to delinquent accounts to encourage them to make payments on delinquent accounts and to facilitate the reconnection of their services.

WHEREFORE, Applicants respectfully pray that the Authority issue an order approving the accounting treatment in the manner set forth above.

Respectfully submitted this 13th day of September, 2001.

**United Cities Gas Company, a Division of
Atmos Energy, Inc.**

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*By Permission
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following parties of interest this 13th day of September, 2001.

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Timothy C. Phillips
Office of Attorney General and Reporter
Consumer Advocate Division
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